

## Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AID-05 EB-07 COME-00 TRSE-00 XMB-02

OPIC-03 INT-05 CIAE-00 INR-07 NSAE-00 OMB-01 AGR-05

/045 W

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R 030529Z SEP 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC 652

INFO AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: BGEN, TH

SUBJECT: U.S. FIRM'S BID ON PHITSANULOK IRRIGATION PROJECT

REF: A. STATE 195374 (NOTAL)

B. BANGKOK A-105, 4/7/75 (NOTAL)

1. AFTER CALL ON COMAT BY H. Y. HSU, VICE PRESIDENT, INTERNATIONAL ENGINEERING COMPANY (IECO), WHO WAS ACCOMPANIED BY HIS LOCAL REPRESENTATIVE, EMBOFF CALLED ON MR. SUNTHORN, DEPUTY DIRECTOR OF MINISTRY OF AGRICULTURE'S ROYAL IRRIGATION DEPARTMENT (RID), ON AUGUST 20 TO DISCUSS THE STATUS OF THE BIDS SUBMITTED BY ENGINEERING CONSULTANT FIRMS FOR THE WORLD BANK FINANCED PHITSANULOK IRRIGATION PROJECT.

2. SUNTHORN EXPLAINED THAT IECO AND AN ITALIAN/JAPANESE JOINT VENTURE SCORED VIRTUALLY EQUAL MARKS WHEN RATED BY RID'S EVALUATION COMMITTEE. HOWEVER, SUNTHORN ADDED THAT A SECOND U.S. FIRM, SVERDRUP AND PARCEL INTERNATIONAL INC. (SPI), WAS IN THIRD PLACE AND STILL IN CONTENTION. (SPI MAINTAINS AN OFFICE IN BANGKOK.) HE ADMITTED THAT BECAUSE IECO'S JOINT VENTURE PARTNER WAS A TAIWAN FIRM, SINOTECH, AND BECAUSE OF THE JULY SWITCH IN RELATIONS,

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THIS HAD RAISED QUESTIONS ABOUT IECO'S SUITABILITY.

SUNTHORN SAID RID HAD REQUESTED A MINISTRY OF FOREIGN AFFAIRS RULING BUT THUS FAR HAD RECEIVED NO REPLY. FINALLY, HE STATED THAT THE COMMITTEE'S RECOMMENDATIONS ALREADY HAD BEEN PASSED TO THE DIRECTOR OF RID AND SOON WOULD GO UPSTAIRS TO THE MINISTRY FOR DECISION.

3. SUBSEQUENTLY, IECO'S LOCAL REP DISCOVERED THAT THE FOREIGN MINISTRY IN FACT HAD REPLIED TO RID, PERMITTING ANY "PRIVATE" TAIWAN FIRM TO DO WORK IN THAILAND BUT NOT PERMITTING THAI GOVERNMENT OFFICIALS TO VISIT TAIWAN AND VICE VERSA. IECO SUBMITTED A LETTER TO RID EXPLAINING THAT SINOTECH IS A "PRIVATE COMMERCIAL FIRM IN EVERY RESPECT EXCEPT THAT AS A NONPROFIT MAKING FIRM IT IS EXEMPTED FROM PAYMENT OF THE PROFIT-SEEKING-ENTERPRISE INCOME TAX". APPARENTLY THESE LETTERS HAVE SUCCEEDED IN OVERCOMING THIS HURDLE.

4. NEVERTHELESS, THE DIRECTOR OF RID DID NOT REFER THIS CASE TO HIS SUPERIORS BUT INSTEAD SEVERAL DAYS AGO SENT A LETTER DIRECTLY TO THE WORLD BANK SELECTING THE ITALIAN/JAPANESE FIRM. WHEN THE MINISTER OF AGRICULTURE DISCOVERED THIS, HE REPORTEDLY SENT A TELEGRAM TO THE WORLD BANK REQUESTING IT TO DISREGARD THE LETTER AND ORDERED THAT THE CASE BE RECONSIDERED. WE DO NOT KNOW WHY THE DIRECTOR MADE THIS DECISION ON HIS OWN BUT IECO'S REP SAID THAT HIGH OFFICERS OF THE JAPANESE AND ITALIAN EMBASSIES HAVE CALLED ON VARIOUS MINISTRY OFFICIALS REGARDING THIS CASE. IN ANY CASE, THE MINISTER AND UNDER SECRETARY SEEM TO HAVE TAKEN A PERSONAL INTEREST AND IT MAY BE SEVERAL WEEKS BEFORE ANY DECISION IS MADE. WE UNDERTSAND A MR. GOLAN OF THE WORLD BANK WILL ARRIVE ON SEPTEMBER 5 TO DISCUSS THIS CASE WITH RID. THE MINISTRY MAY DECIDE TO WAIT UNTIL AFTER HIS VISIT BEFORE MAKING A FINAL DECISION.

5. THE EMBASSY HAS BEEN CAREFUL TO EXPRESS INTEREST ON BEHALF OF "ALL" OF THE U.S. FIRMS BIDDING ON THIS PROJECT, BUT IN OUR DISCUSSION WITH RID WE NOTED THAT IECO SPECIFICALLY REQUESTED US TO ASSIST. USOM AND AGRICULTURAL ATTACHE'S OFFICE HAVE BEEN HELPFUL IN KEEPING COMAT INFORMED AS TO STATUS OF CASE.

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WHITEHOUSE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 03 SEP 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Classification:** LIMITED OFFICIAL USE  
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**Page Count:** 2  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 195374  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 JUL 2003 by BoyleJA>; APPROVED <24 JUL 2003 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** U.S. FIRM'S BID ON PHITSANULOK IRRIGATION PROJECT  
**TAGS:** BGEN, TH  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006